

WATER/FLC/PTL/HJL:jlj

PUBLIC UTILITIES COMMISSION OF THE STATE OF CALIFORNIA

**WATER DIVISION
Water Branch**

**RESOLUTION NO. W-4507
November 19, 2004**

R E S O L U T I O N

(RES. W-4507), CALIFORNIA –AMERICAN WATER COMPANY (CAWC), CORONADO DISTRICT. ORDER AUTHORIZING AN OFFSET RATE INCREASE PRODUCING ADDITIONAL ANNUAL REVENUES OF \$1,891,573 OR 15.9% FOR INCREASE IN THE COST OF PURCHASED WATER.

SUMMARY

This Resolution authorizes CAWC to increase revenues in its Coronado District by \$1,891,573 or 15.9% to offset purchased water rate increase by the City of San Diego (CSD). By Advice Letter No. 607, filed September 20, 2004, CAWC seeks revision of tariff schedule CO-1, General Metered Service, to provide for an increase in revenues. This increase is a result of increased cost for purchased water that became effective January 1, 2003. The offset rate increase will not result in a rate of return greater than last authorized for CAWC.

BACKGROUND

CAWC requests authority under Section VI of General Order 96-A and Section 454 of the Public Utilities Code to offset: (1) a \$1,875,165 increase in purchased water costs, (2) an \$8,176 increase in local franchise tax, and (3) \$8,232 in related increases in uncollectibles.

CAWC's Coronado District serves approximately 20,894-metered customers in the city of Coronado, Imperial Beach, and portions of the CSD, and vicinity in the County of San Diego. The present rates for CAWC became effective January 4, 2004, by Decision (D.) 95-12-041, which authorized an offset increase.

The last general rate increase was granted on December 18, 1995, which authorized a general rate increase of \$124,000 or 1.28% in the year 1998 and a rate of return of 9.18%.

DISCUSSION

As shown in the workpapers to Advice Letter No. 607, the authorized rate of return for CAWC's Coronado District for 2003 was 9.18%. The recorded rate of return for 2003 for this district was 5.80%. As required by D.03-06-072, these offset revenues will be included in the earnings test calculation CAWC will file March 31, 2005, for calendar year 2004, and adjusted accordingly.

The reason for the above change is as follows: CSD increased its wholesale purchased water rates for the fiscal year 2004, from \$522.65/AF to \$666.38/AF. The impact of the CSD increase results in a \$1,875,165 annual increase in purchased water costs for CAWC.

The increase in CSD's purchased water cost is directly related to water consumption and therefore the associated rate increase for CAWC shall be applied to the quantity rates. In order to recover the higher costs, CAWC will increase its quantity charge by \$0.3467/Ccf (One Ccf is equal to one hundred cubic feet). The monthly bill for an average 5/8-inch metered residential customer utilizing 1,500 cubic feet of water per month would increase by \$3.20 from \$32.71 to \$37.91 or 15.9%.

Service by CAWC is satisfactory. There are no Commission orders requiring system improvements nor are there any service problems requiring corrective action. The decision for the most recent General Rate Case decision for this district was decided on December 18, 1995.

NOTICE AND PROTESTS

CAWC has given public notice of the request for an increase by mailing to each customer in the Coronado District as evidence by a Proof of Mailing provided to the Water Branch by the utility. No protest letters were received concerning the proposed offset increase.

FINDINGS

1. Effective July 1, 2004, CSD increased its wholesale purchased water rates from \$522.65/AF to \$666.38/AF.
2. CSD's increase in rates will result in annual increases of \$1,875,165 in purchased water costs, \$8,232 in uncollectibles, and \$8,176 in franchise tax for CAWC.

DRAFT

Resolution W-4507
CAWC/AL 607/FLC/PTL/HJL:jlj

November 19, 2004

3. CAWC requests authority to increase its quantity charge by \$0.3467/Ccf to offset the \$1,891,573 in increased annual cost for purchased water, related increases to uncollectibles, and franchise tax.
4. This is an uncontested matter subject to public notice and comment exclusion provided in Public Utilities Code Section 311(g)(3).
5. The Commission finds, after investigation by the Water Division, that the changes hereby requested by the utility are justified and, if authorized, the resulting rates will be just and reasonable.

THEREFORE IT IS ORDERED THAT:

1. California-American Water Company is authorized, five days after the effective date herein, to make effective revised Schedule No. CO-1, General Metered Service attached to Advice Letter No. 607, and to cancel the corresponding presently effective rate schedule.
2. California-American Water Company is directed to maintain its reserve account as required by Public Utilities Code Section 792.5.
3. This resolution is effective today.

I hereby certify that the foregoing resolution was duly introduced, passed, and adopted at a conference of the Public Utilities Commission of the State of California held on November 19, 2004; the following Commissioners approved it:

STEVE LARSON
Executive Director